

# Audited Results

For the year ended 31 December 2009



enhance



Financial Results for the year ended 31 December 2009

# Agenda

- ▼ Strategic
- ▼ Operations
- ▼ Financial highlights
- ▼ Financial analysis
- ▼ Prospects
- ▼ Questions



# STRIKE



Picture by Bloomberg





# STRATEGIC ISSUES



# Strategic environment

*“We have placed education and skills development at the centre of this government's policies. We need to invest in our youth to ensure a skilled and capable workforce to support growth and job creation.”*

President Jacob Zuma, State of the Nation Address  
11 February 2010

*“A key part of transforming our leaders lies in our education system.”*

Professor Kurt April, UCT



# Strategic environment

## Budget speech 2010

- ▼ *“South Africa’s numeracy and literacy levels for schoolchildren are unacceptably low by any standard”*
- ▼ *“South Africa’s lack of skilled labour hampered economic development”*
- ▼ *“After five years of strong growth, during which about two million jobs were created...”*
- ▼ *“... last year our economy shrank by an estimated 1.8%”*
- ▼ *“Consumption and private investment contracted”*
- ▼ *“About 900 000 people lost their jobs”*



Pravin Gordhan, Budget Speech  
17 February 2010

# Strategic environment

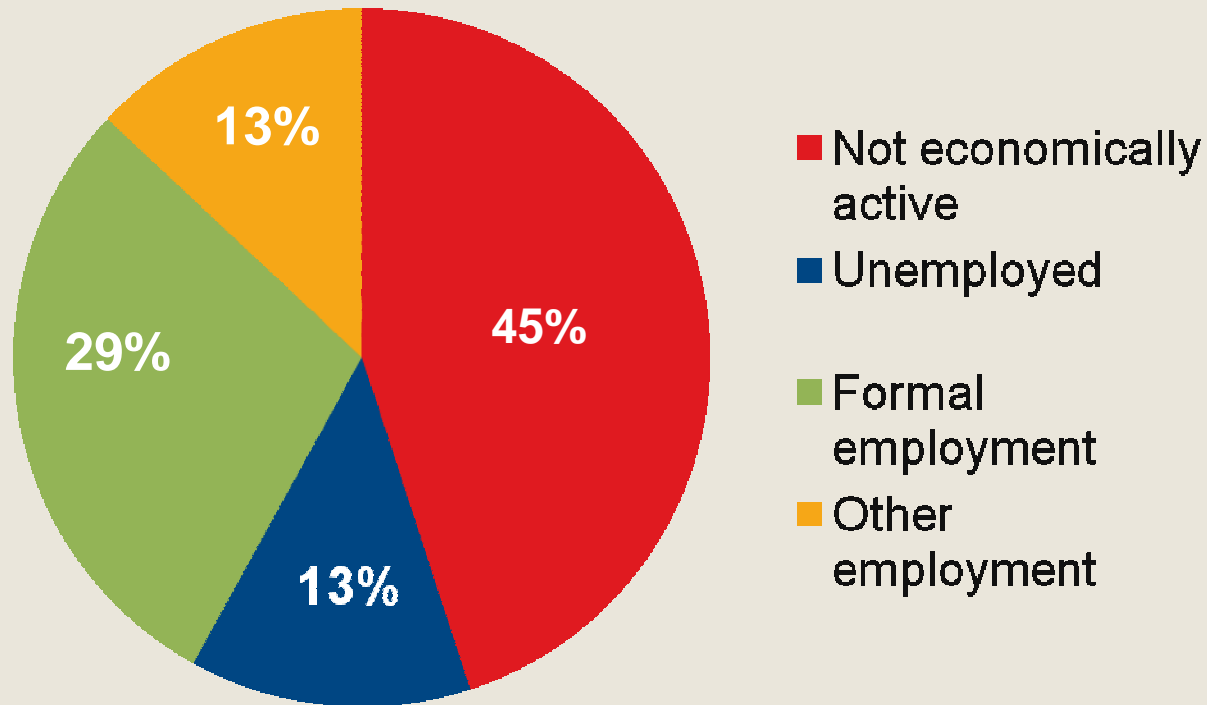
## Skills shortage

- ▼ Shortage of 22 000 qualified financial staff representing 8% of current employment
- ▼ By 2018 this requirement will rise to between 350 and 460K. This means an additional 20 000 qualified financial staff p.a.

Source: SAICA report, 2009

# Unemployment in SA

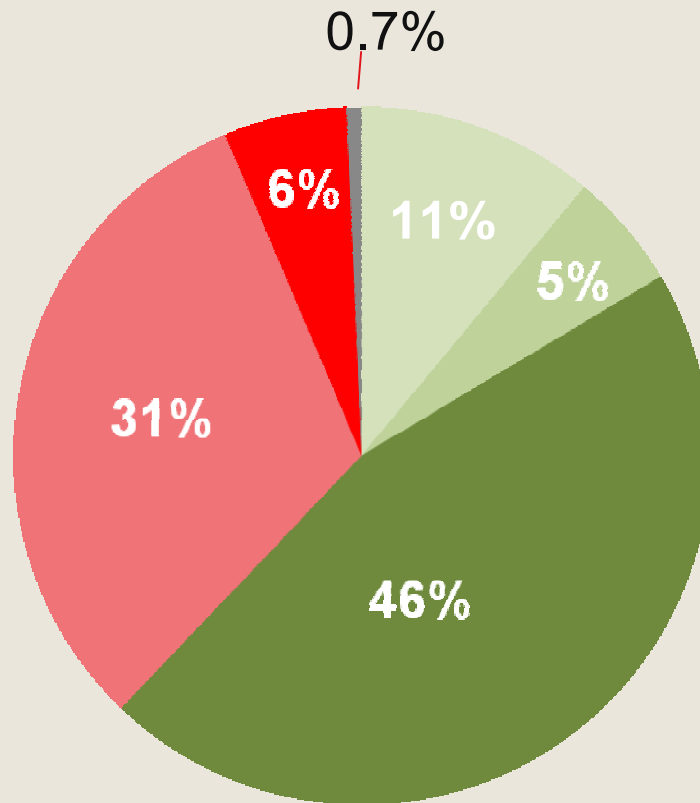
**December 2009**



Source: Stats SA December 2009



# Unemployment and education


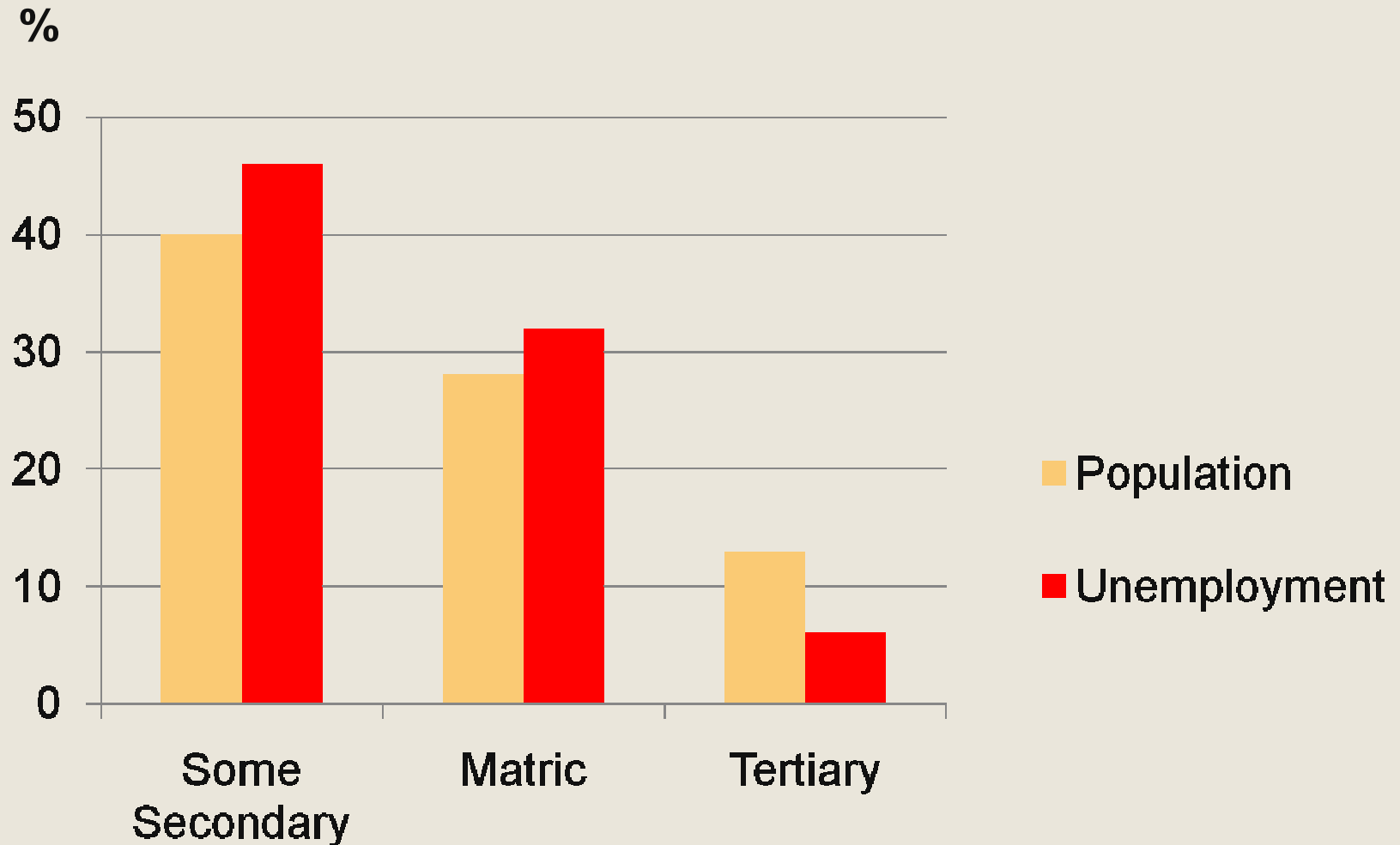


## Unemployed people

- None or lower than primary
- Primary completed
- Incomplete secondary
- Matric
- Tertiary
- Other

Source: Business Report January 2010

# Unemployment and education



Sources: OMD Ad Review 2008  
Business Report Jan 2010  
ADvTECH analysis

# School attendance

Attending '000	2000	2008	% growth
Public school	11 647	11 873	1.9%
Private school	256	366	42.9%
All schools	11 903	12 239	2.8%



Source: SAIRR November 2009

# Our strategy

## Chairman's letter to shareholders March 2010

*“ADvTECH is a quality catalyst in igniting an interest in greater learning for greater success. I can record with some confidence that ADvTECH has a sound and sustainable business, is well managed and is satisfactorily capitalised for future growth and progress”*



# OPERATIONS



# Operations

## Chairman's letter to shareholders March 2010

*“all aspects of the Group's operations were carefully reviewed as a protective measure in the event of a protracted recession. This review confirmed the resilient nature and core strengths of each business unit”*



# Annuity nature of revenue

- ▼ Almost 50% of group revenue is returning students
- ▼ Equivalent to 63% of education revenue
- ▼ 59% of FT student population is returning students



# Ploughing back

	R'm	%
Total value created	1 034	100
Less: employees	-558	54
Less: government taxes	-216	21
Available to business	260	25





# Ploughing back

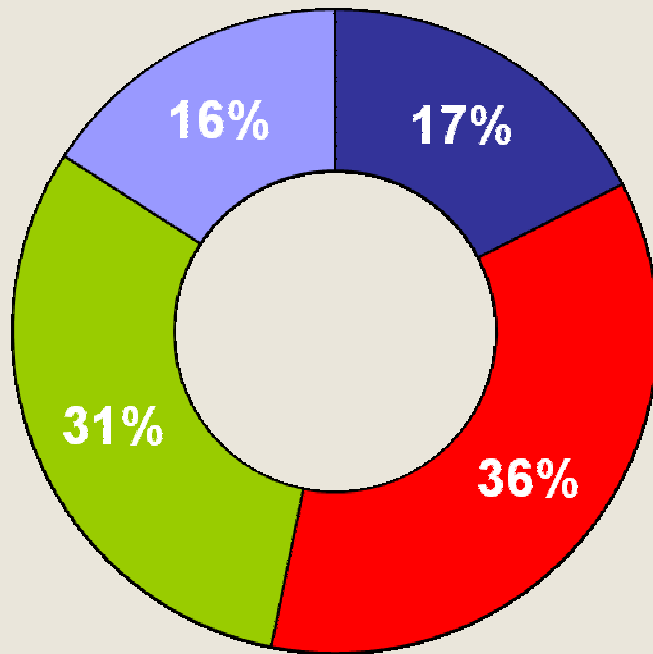
	R'm	%
Total value created	1 034	
Less: employees	-558	
Less: government taxes	-216	
Available to business	260	100
Allocated to communities	42	16
Allocated to investors	81	31
Retained in the group	137	53



# Investment

## INVESTMENT PROGRAMME 2007 - 2009 (R371 million)

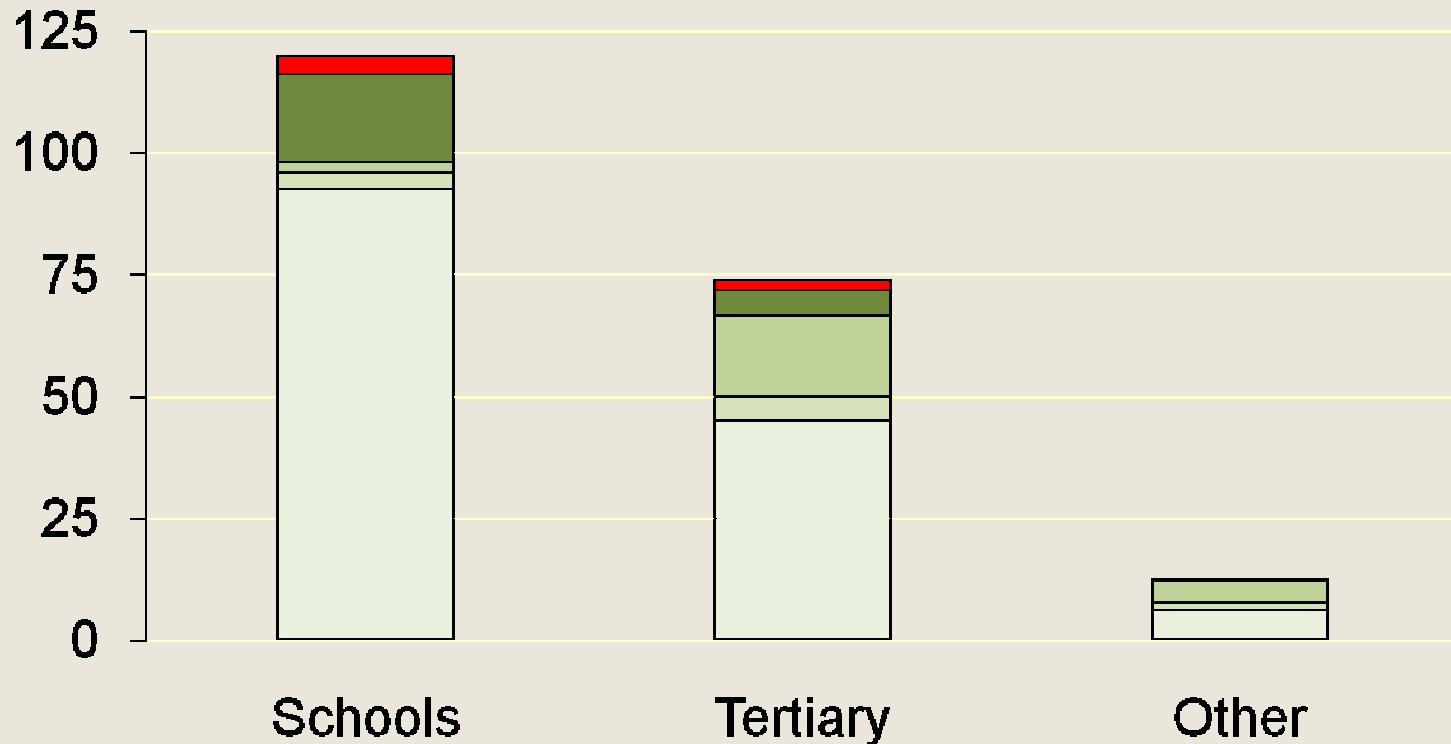
### Infrastructural investments made



- Tertiary properties
- School properties
- ICT equipment

# Capacity

## Ageing of capacity Total capacity: 206 300 m<sup>2</sup>



- Capacity created in 2009
- Capacity created in 2008
- Capacity created in 2007
- Capacity created in 2006
- Existing Capacity

# Quality and governance

## The IIE

- ▼ 6 new programmes accredited in 2009 ...
- ▼ ... brings total to 41 programmes ranging from certificate to honours level
- ▼ Representation on:
  - ▶ HEQC Board
  - ▶ HEQC Audit Committee
  - ▶ HEQC Accreditation Committee
- ▼ IIE Forums and Private Higher Education Network (PHEN) play a significant role in communication about education matters



# Academic highlights

## Schools

- ▼ Abbotts College, CrawfordSchools™ and Trinityhouse achieved **100%** pass rate with **98%** qualifying for entrance into Higher Education institutions
- ▼ Our 1 169 matriculants obtained **2 351** subject distinctions in total with 10% of students achieving 6 or more subject distinctions



# Academic highlights

## Schools

Our schools continue to contribute significantly to the national output in key subjects with averages per candidate at CrawfordSchools as follows:

Mathematics	- 71%
Mathematics paper 3	- 69%
Additional Mathematics	- 77%
Physical Science	- 64%
English	- 76%
Accounting	- 79%



# Academic highlights

## Higher Education

- ▼ **76%** pass rate in Higher Certificate in Photography students at Vega
- ▼ **87%** pass rate in Brand Leadership Honours programme at Vega
- ▼ **91%** pass rate for Pastel Accounting and **86%** for Principles of HR Management in School of Business at Rosebank College



# Academic highlights

## Higher Education

- ▼ In the UNISA Certificate in Theory of Accounting (CTA) examinations, students at Forbes Lever Baker and Varsity College had **12 students in the top 15** overall
- ▼ The 164 UNISA Bachelor of Education students at Varsity College obtained **602 module distinctions**, almost four distinctions per student on average





# ADvTECH Education



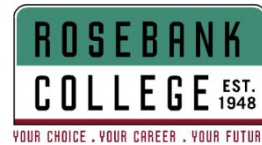
SCHOOLS

HIGHER EDUCATION

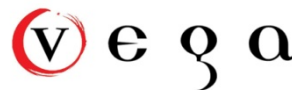
SKILLS



COLLEGE CAMPUS  
THE CAREER COLLEGE



VARSITY COLLEGE



The Brand Communications School

in association with the

National College  
of [Photo]graphy

just picture it



# ADvTECH Resourcing

## RECRUITMENT

C:\Users\Inmason\D...  
Website Feb 2010\09  
AFS Logos  
(2010)\Resourcing\...



# Scale of operations

- ▼ Approximately 60 800 students (2008: 46 500)
- ▼ 32 400 full-time students (7% increase)
- ▼ 57 education sites (2008: 52)
- ▼ 21 staffing branches
- ▼ Approx 3 900 placements (2008: 4 900)
- ▼ Number of employees 3 779 (2008: 3 643)
  - 180 Masters degrees
  - 27 Doctorates
  - 322 Alumni



# Operations

## Employee headcount



# Operations

## Investments

- ▼ The acquisition of Forbes Lever Baker (FLB) in Gauteng for approximately R57 million
- ▼ Significant contribution to education in business and finance
- ▼ Approximately 2 805 students





# FINANCIAL HIGHLIGHTS



# Income statement

R'm	2009	2008	% growth
Revenue	1 376	1 198	15%
Operating profit	219	201	9%
Headline earnings	160	155	3%
HEPS (cps)	40.1	40.2	
Diluted HEPS (cps)	40.1	40.0	
Distribution (cps)	21.0	20.0	5%



# Balance sheet

R'm	2009	2008	%ch
Non current assets	788	665	18%
Debtors and other current assets	101	90	12%
Cash and equivalents	40	44	-9%
Current assets	141	134	
Total assets	929	799	
Shareholders funds	611	509	20%
Fees in advance	101	84	20%
Other payables	217	206	
Funds employed	929	799	





# Cash flow


R'm	2009	2008
Cash generated from operating activities	284	251
Net cash inflow from operating activities	170	154
Net cash outflow into investing activities	-156	-235
Free operating cash flow before capex	255	204

*Cash conversion of HEPS*

160%

132%

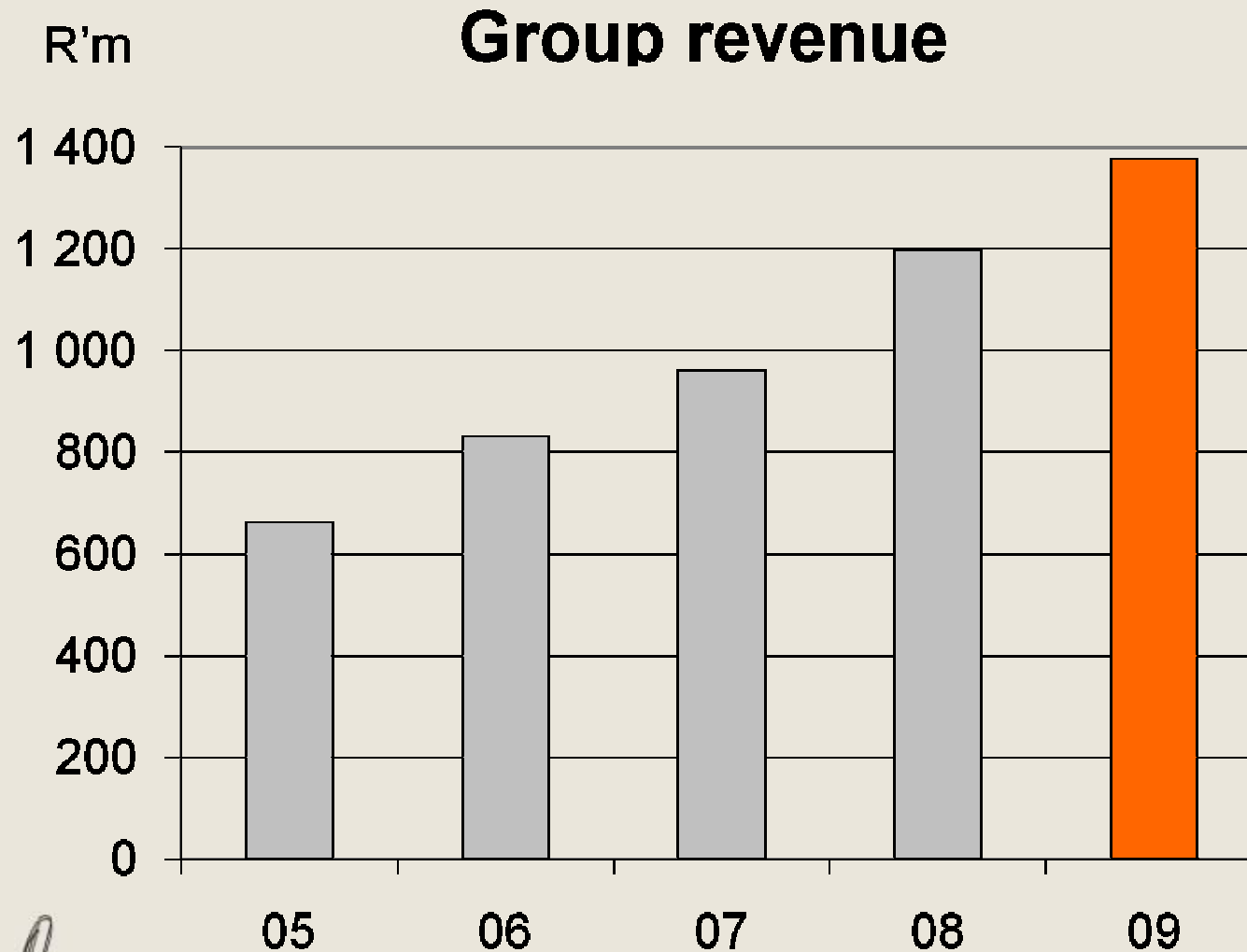




# FINANCIAL ANALYSIS

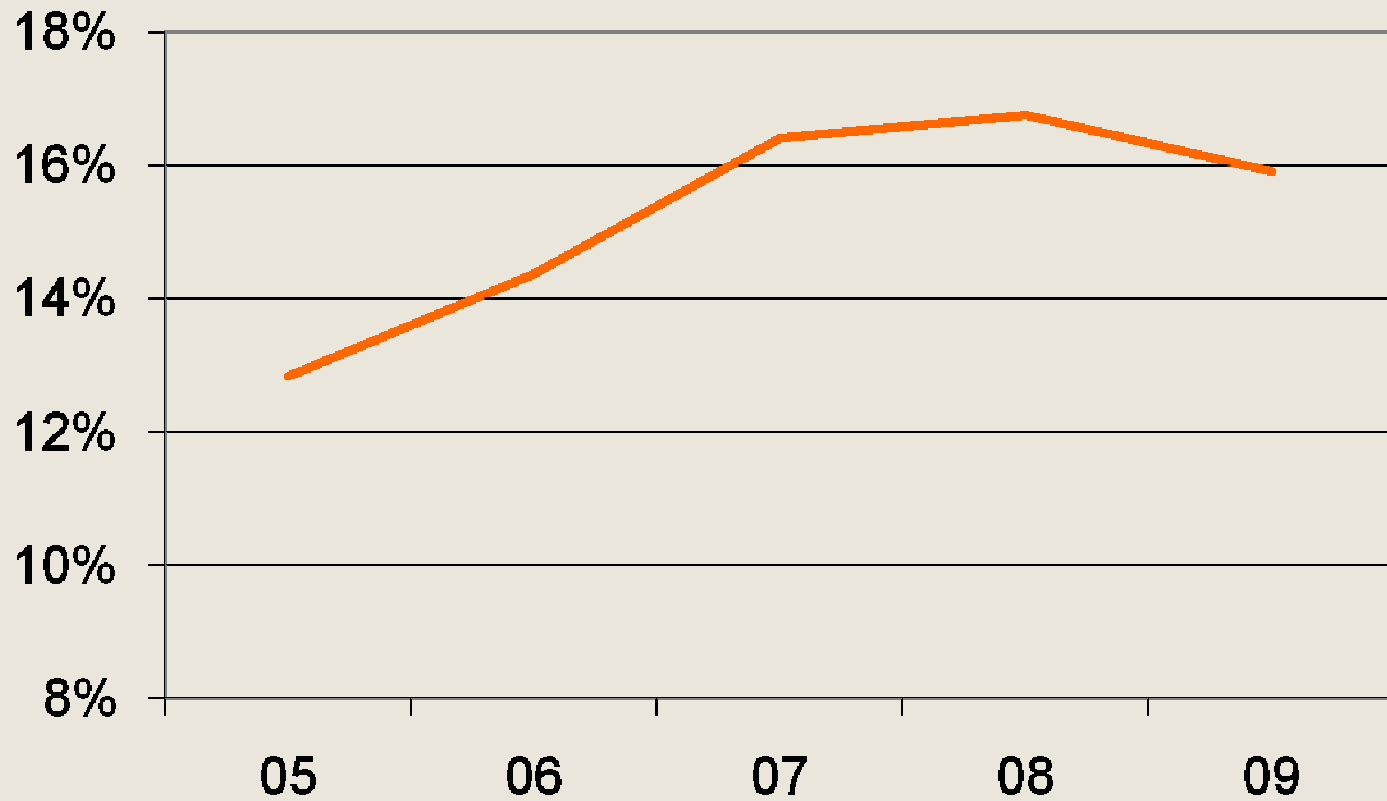


# Revenue trend



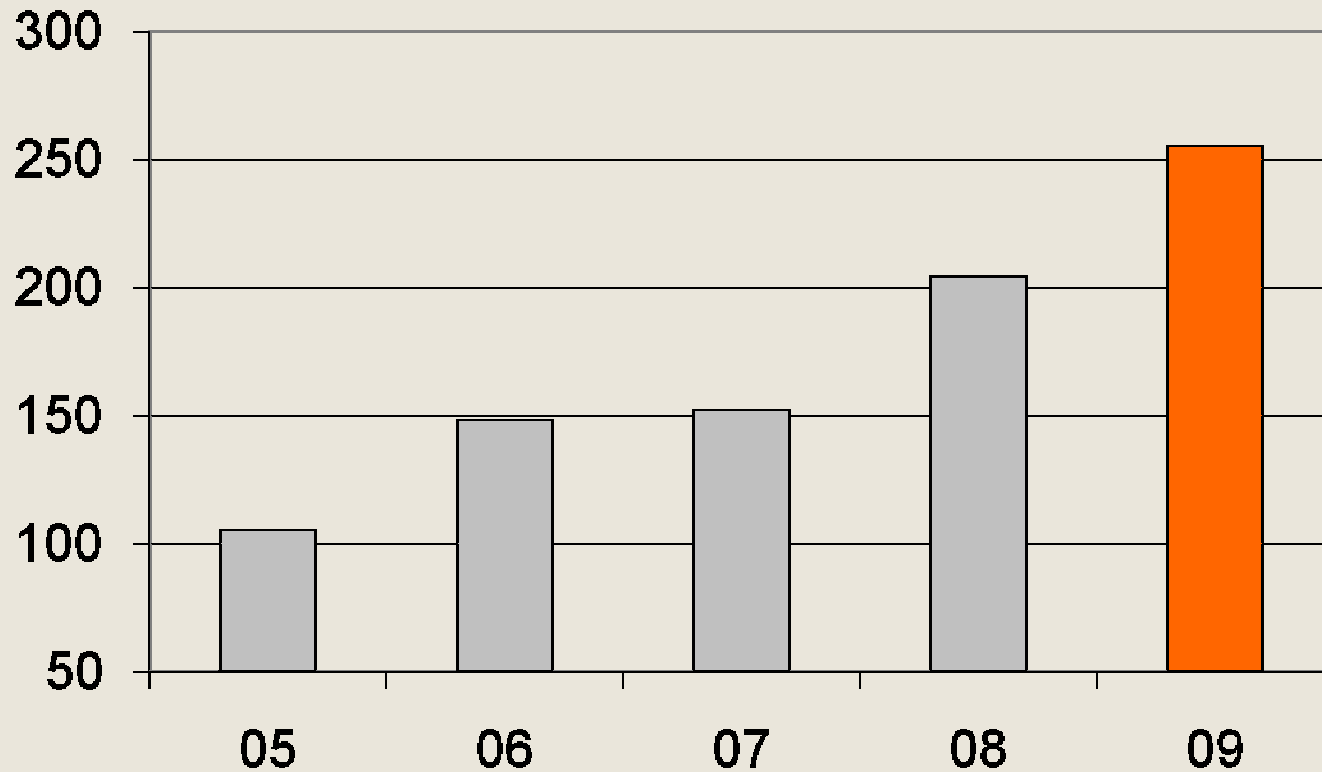
*5-year CAGR in revenue = 20%*

# Group operating margin

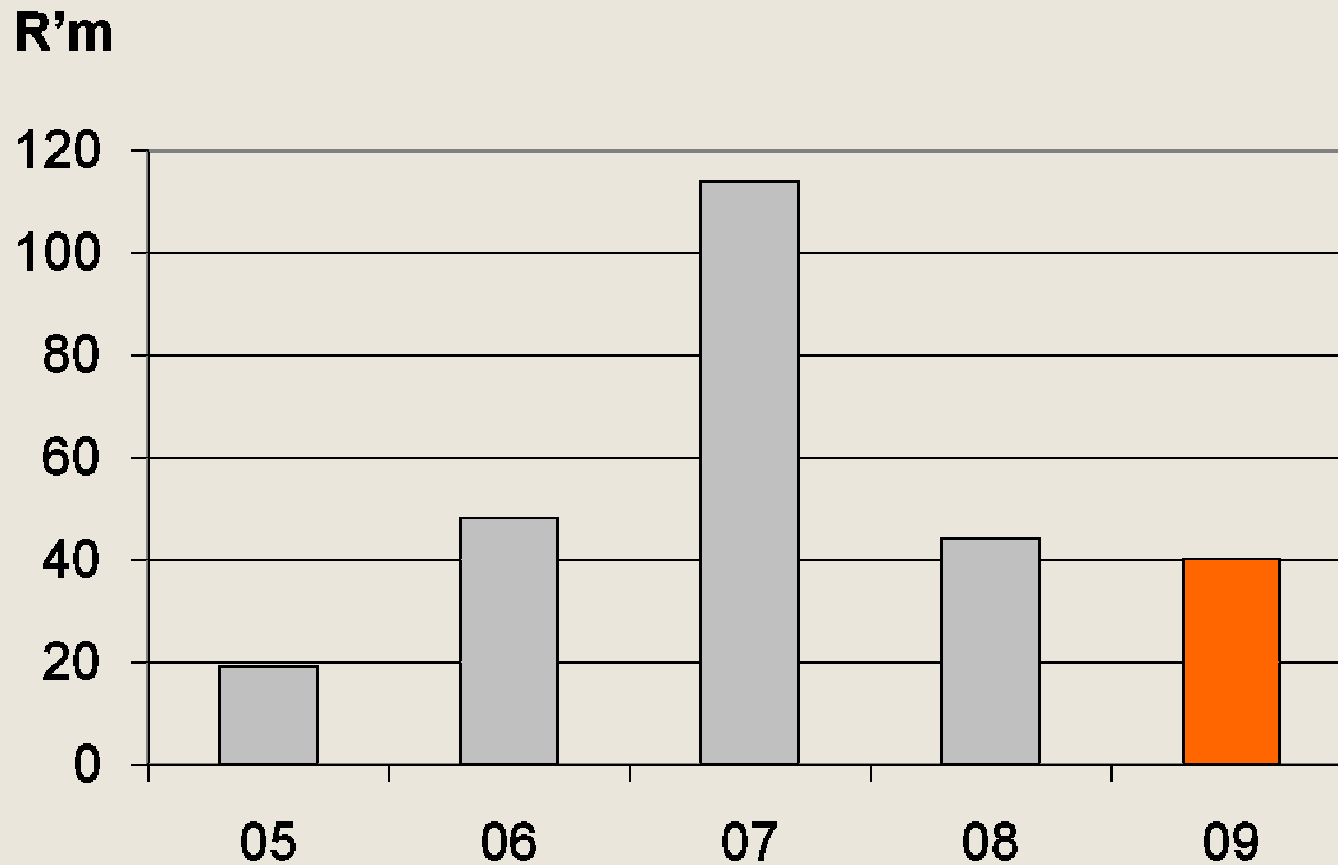


# Cash flow generation

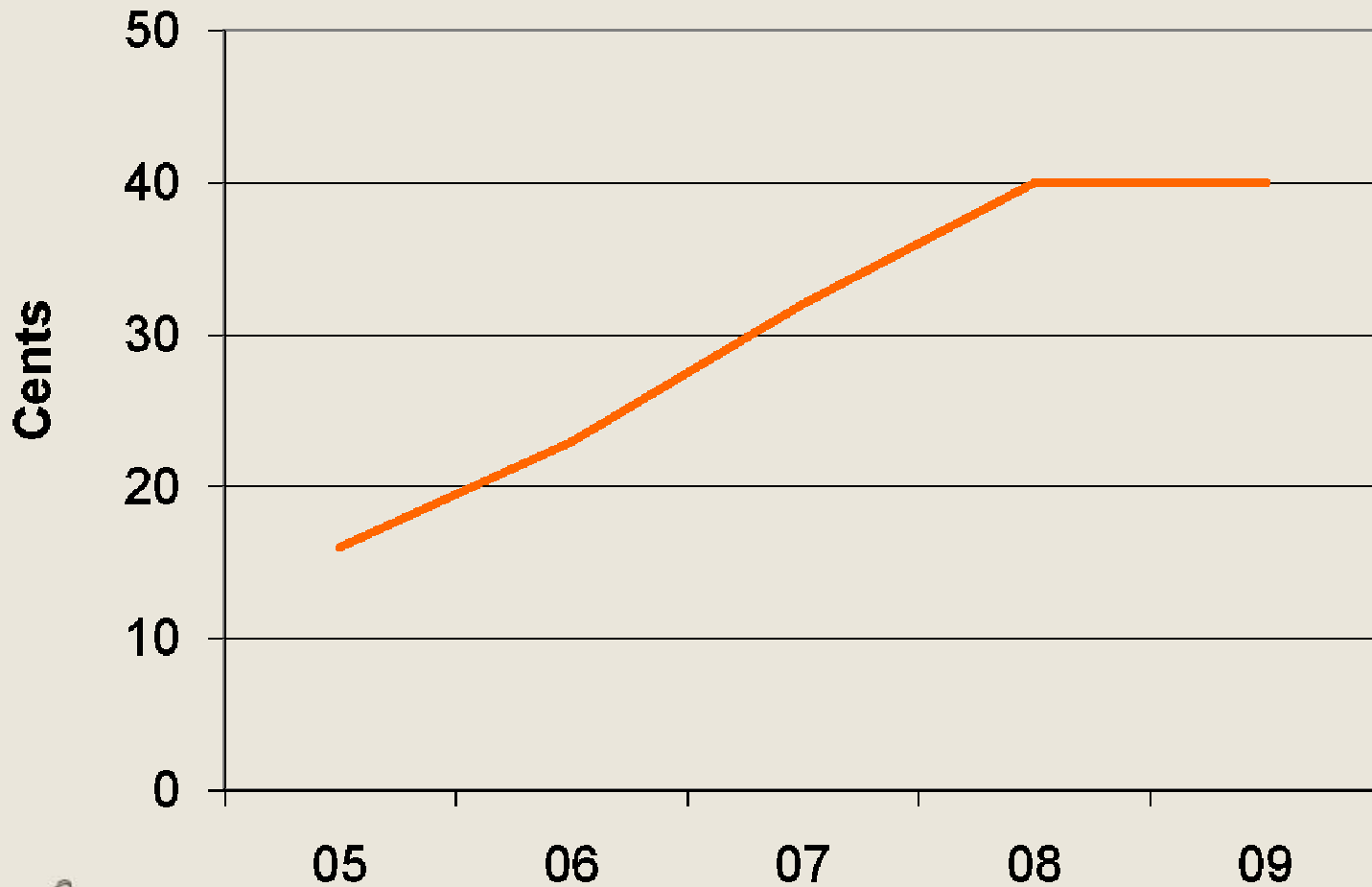
R'm Free operating cash flow before capex



# Net cash position



# HEPS

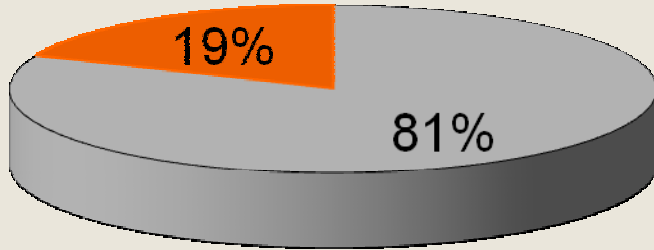


**5-year CAGR in HEPS = 30%**

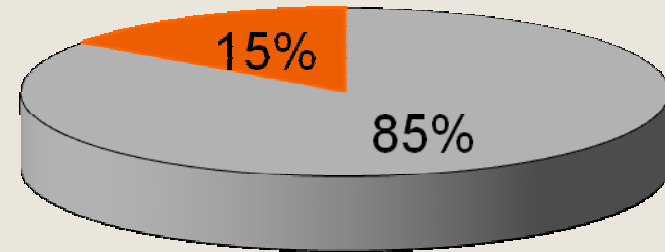
# Segmental analysis

## Revenue

2008



2009



□ Education    ■ Resourcing

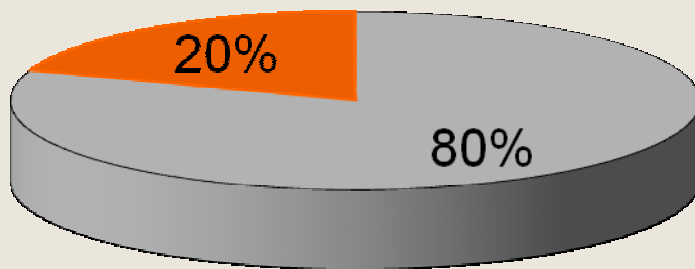




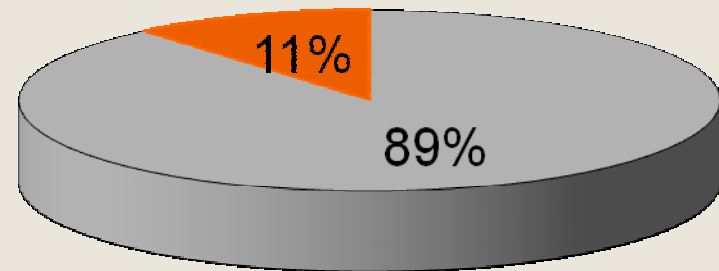
# Segmental analysis

## Operating profit

2008



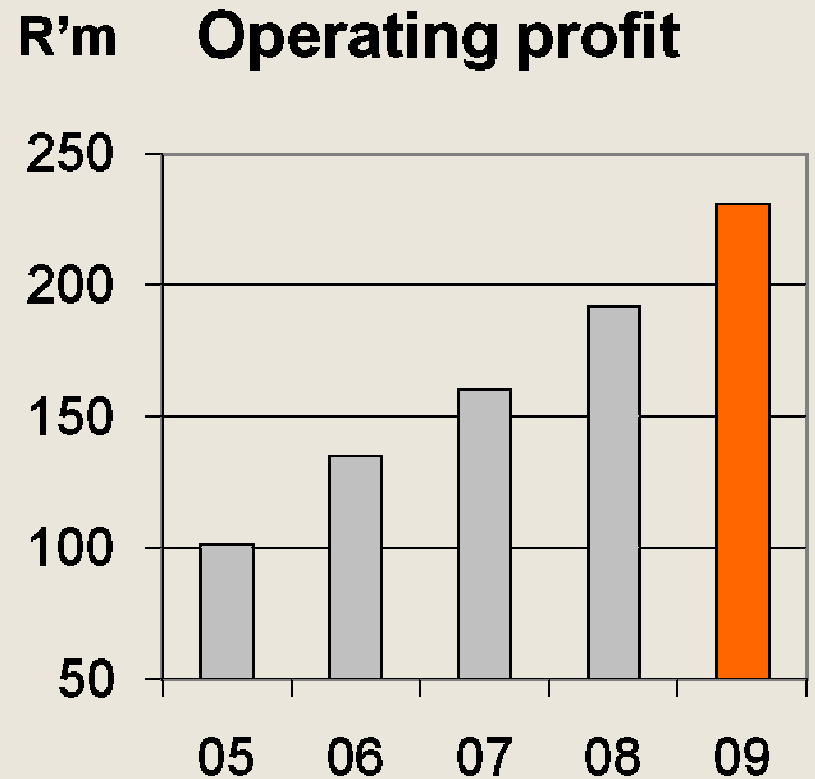
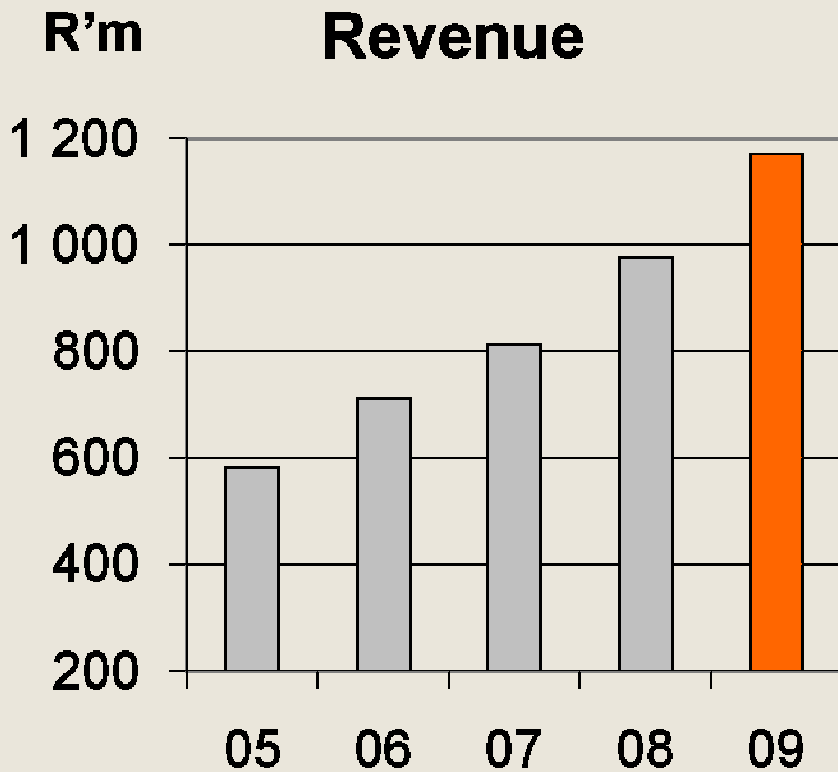
2009



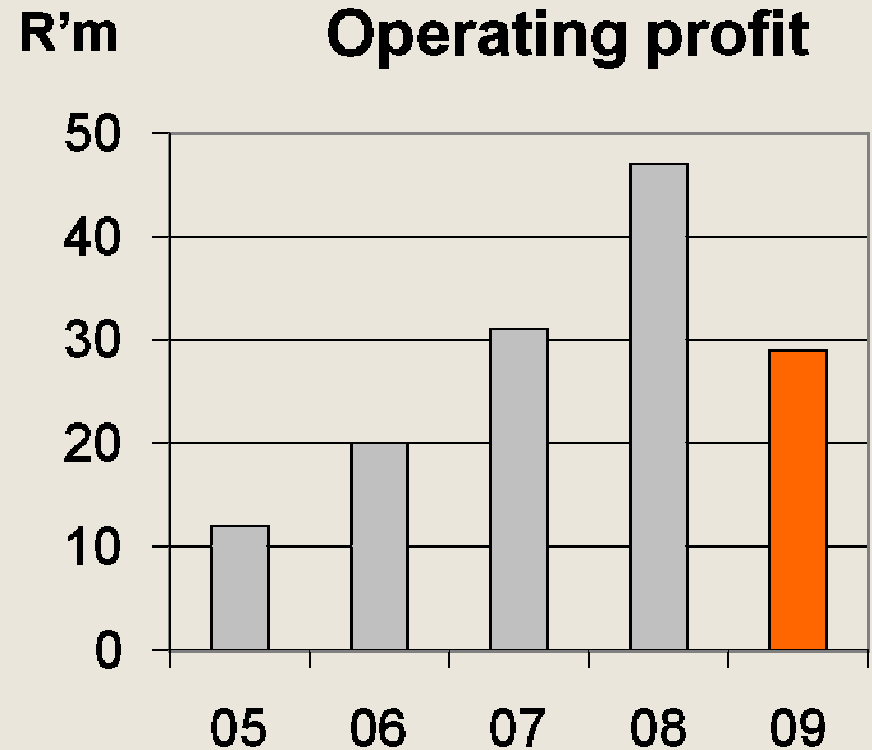
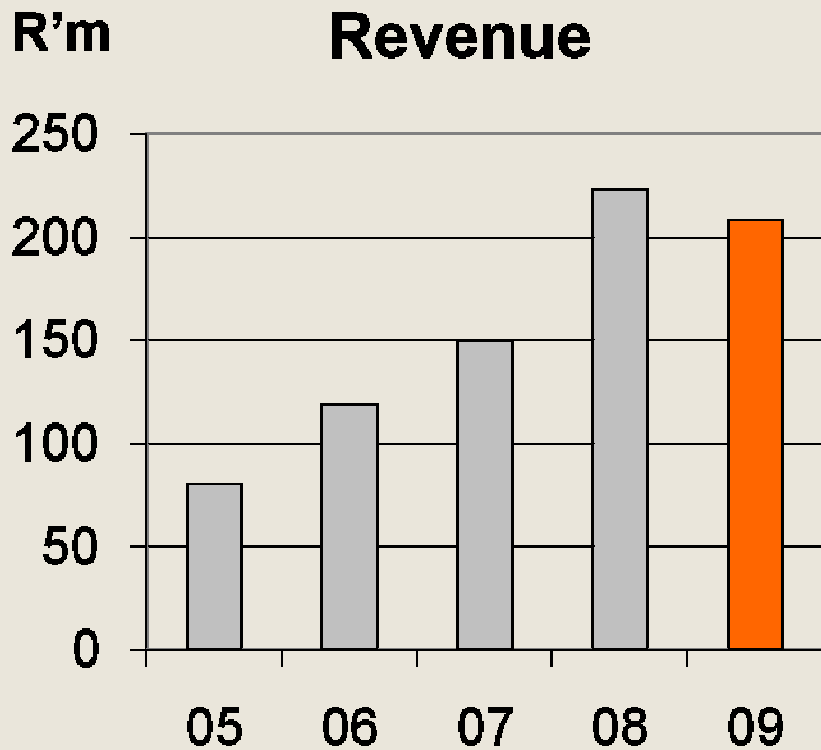
□ Education    ■ Resourcing



# Education trends



# Resourcing trends





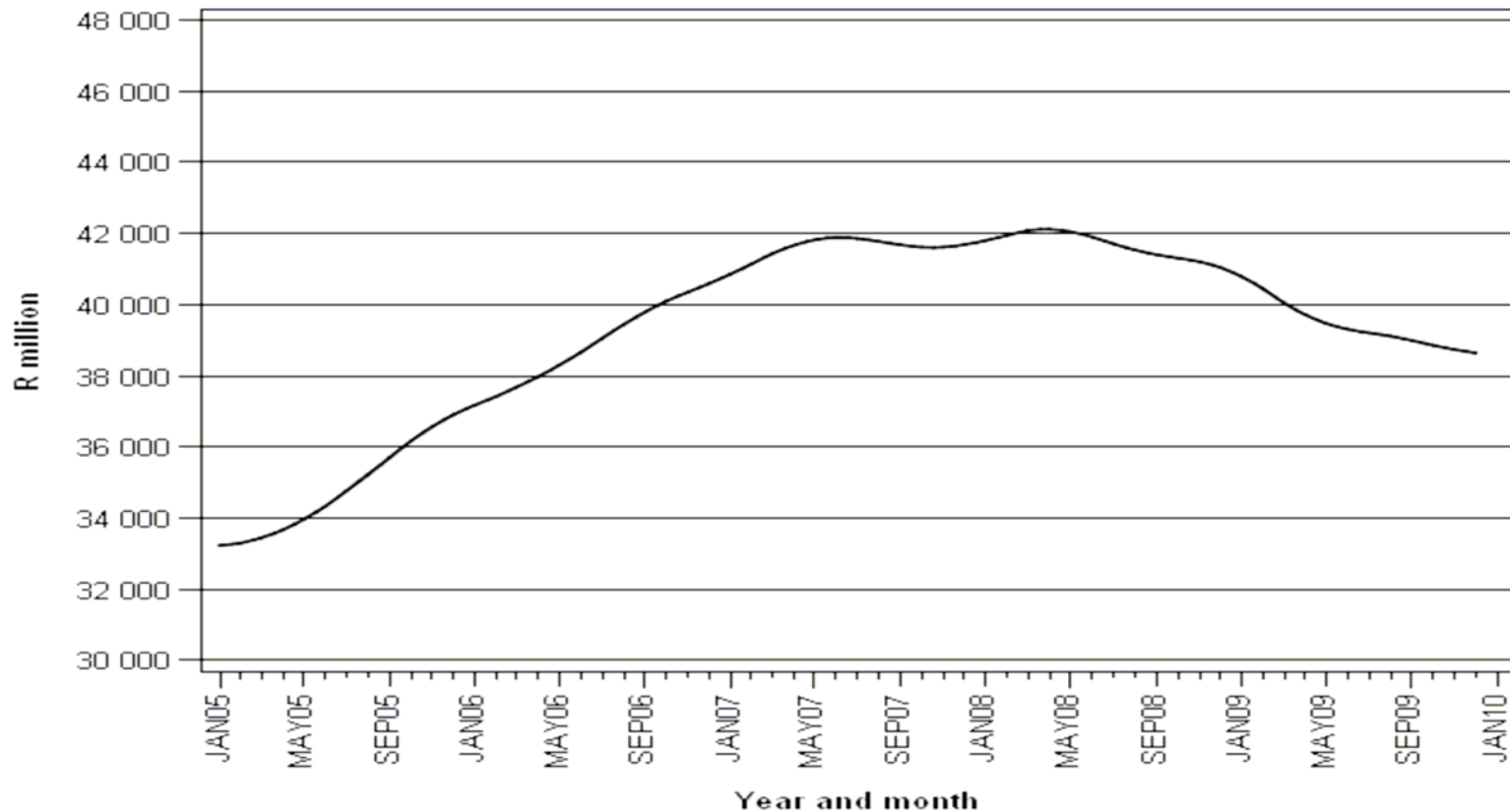
# PROSPECTS



# Retail sales trend 2005 - 2009

Figure 1 below shows the trend in retail trade sales at constant (2008) prices between January 2005 and December 2009.

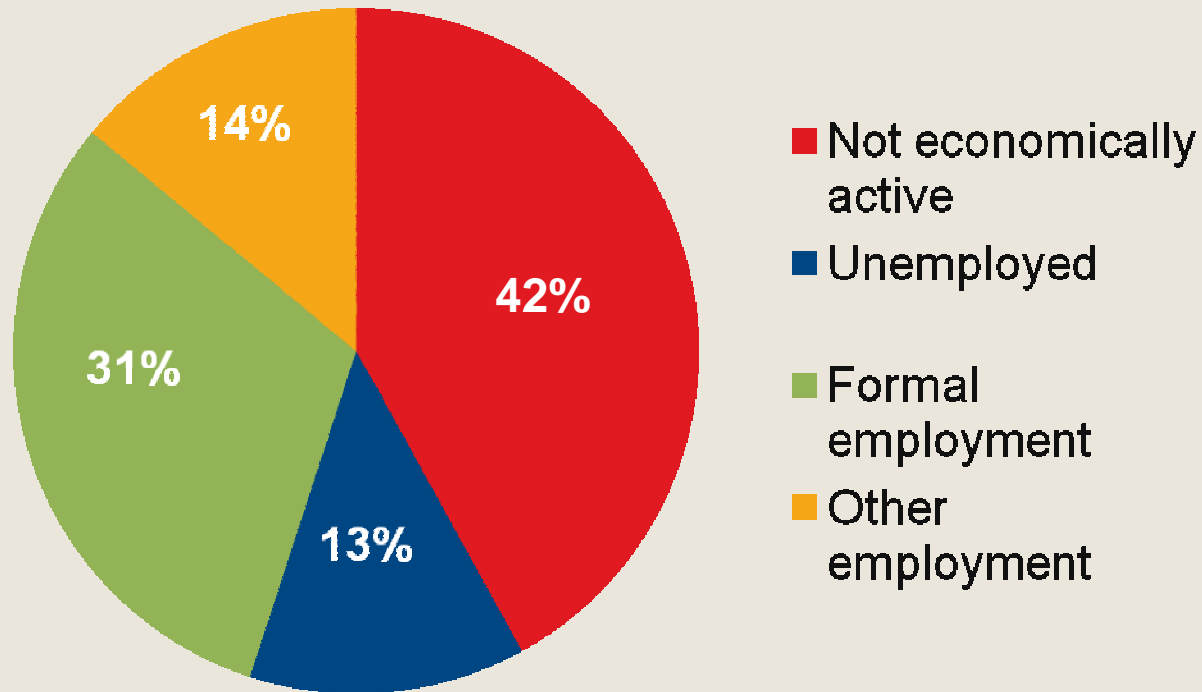
Figure 1 – Trend cycle of retail trade sales at constant (2008) prices



Source: Stats SA December 2009

# Unemployment trend

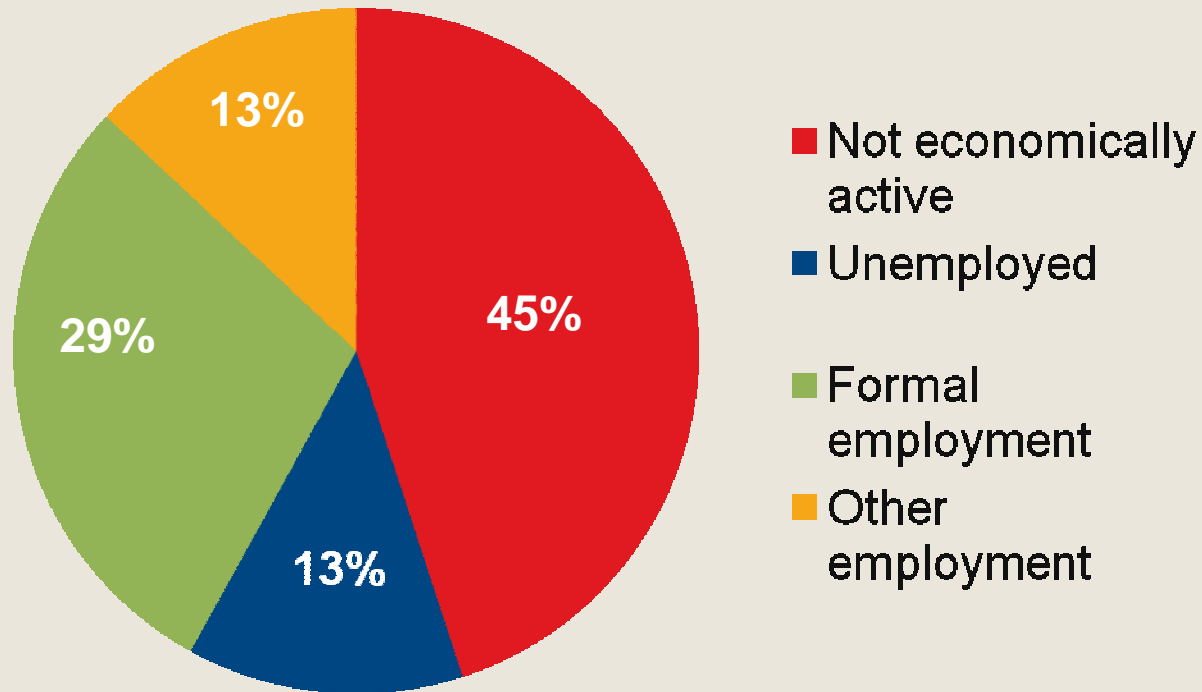
**June 2008**



Source: Stats SA Community Survey

# Unemployment trend

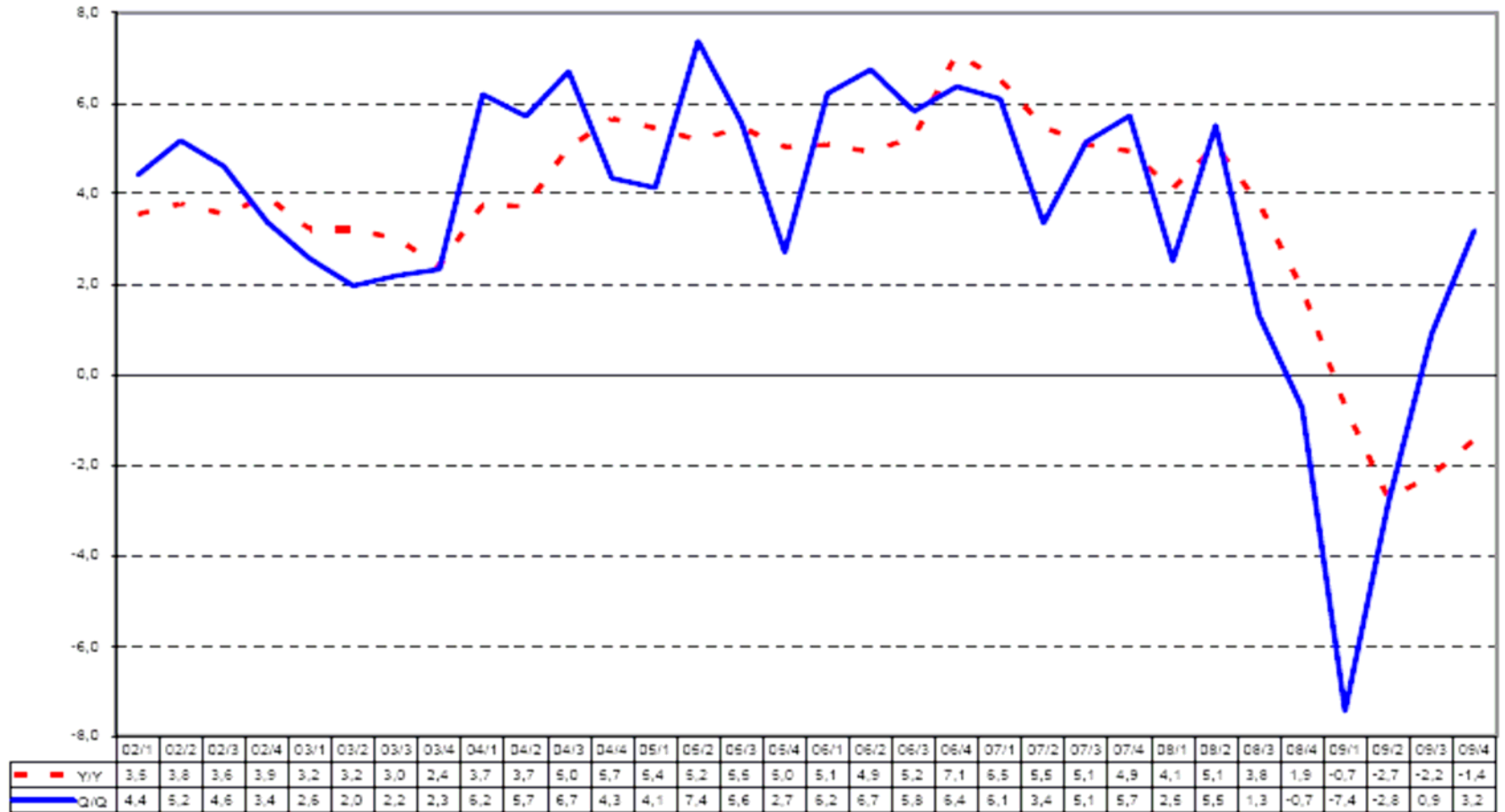
**December 2009**



Source: Stats SA Community Survey

# GDP growth 2002 - 2009

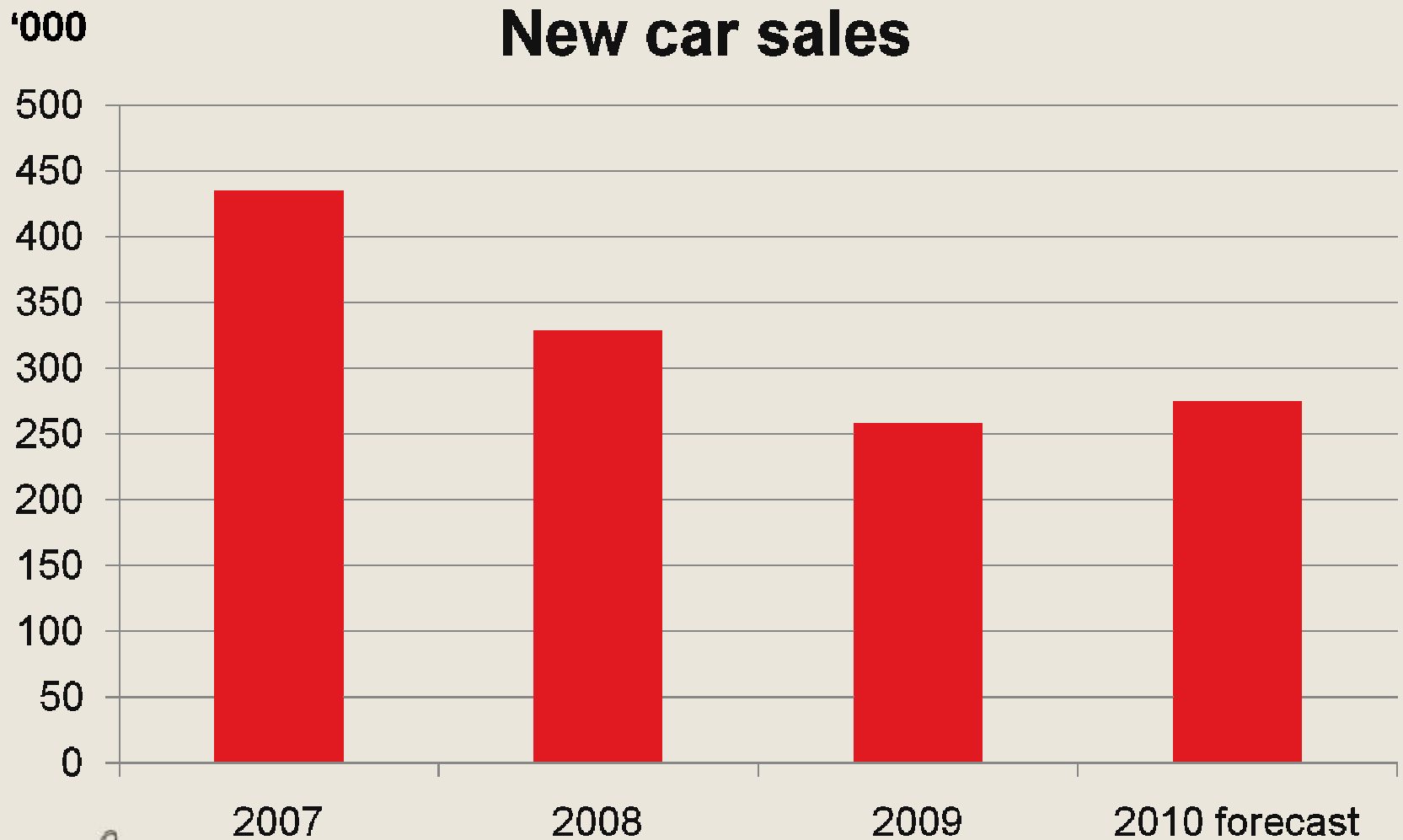
Figure 1 – Growth in gross domestic product year-on-year (Y/Y) and quarter-on-quarter seasonally adjusted and annualised (Q/Q)



Source: Stats SA December 2009



# Consumer spending



Source: NAAMA Quarterly Review – 4<sup>th</sup> quarter 2009

# Prospects

## Factors

- ▼ Consumer still under pressure
- ▼ Jobs still being lost
- ▼ Economy showing signs of life
- ▼ Better than 2009
- ▼ Education division demonstrated resilience
- ▼ Resourcing division gained market position despite performance



# Prospects

## Outlook

- ▼ Provided recovery materialises
- ▼ Provided student enrolments as expected
- ▼ And in the absence of unforeseen adverse developments
- ▼ Expectation of continued and improved contribution to the economy



# Share value trends

## Since 2002

- ▼ Compound annual growth rate in share price **44%**
- ▼ Compound annual return to shareholders (dividends reinvested) **50%**

## Last 5 years

- ▼ Compound annual growth rate in share price **31%**
- ▼ Compound annual return to shareholders (dividends reinvested) **36%**



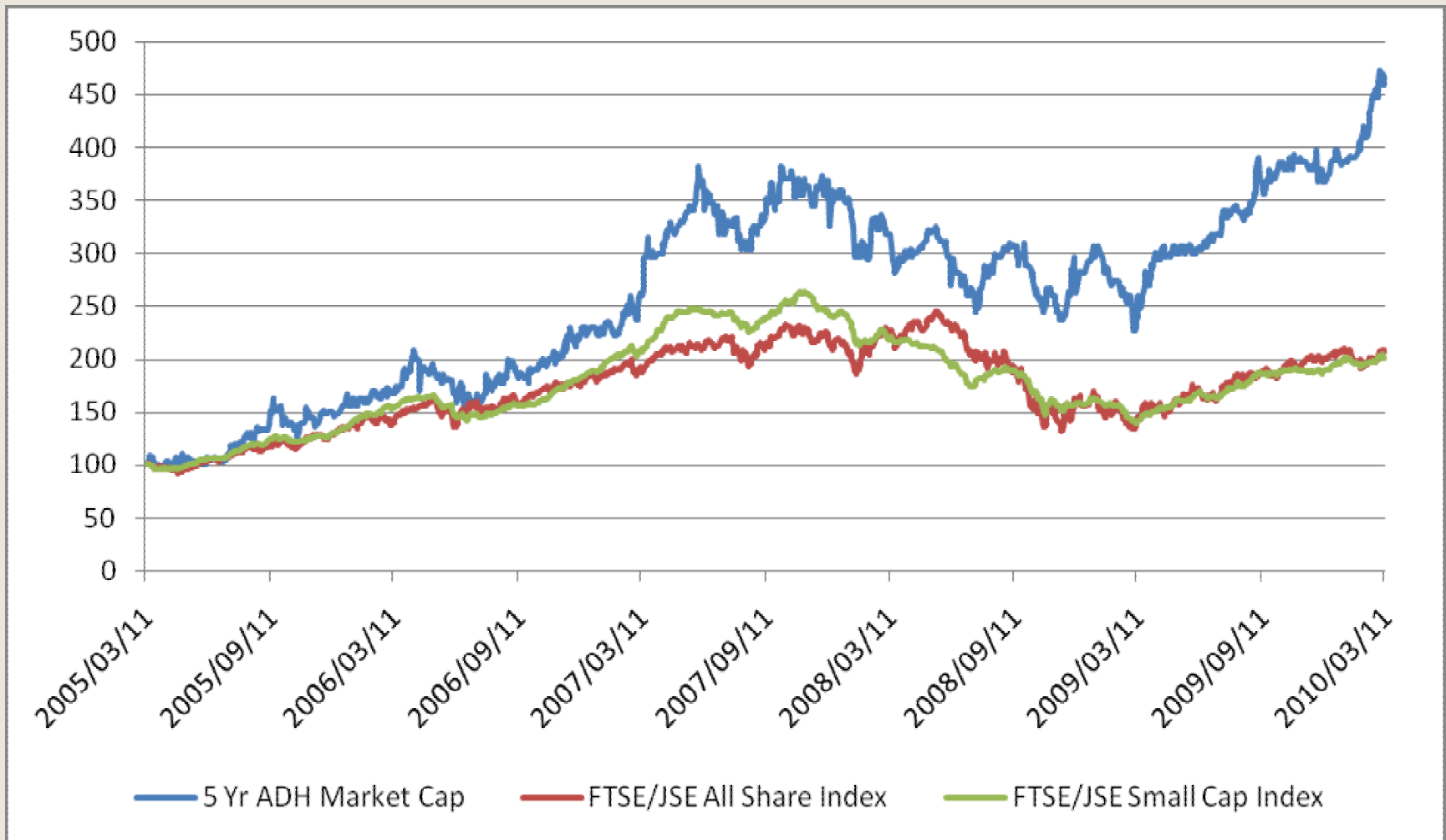
# Market recognition

“Market recognition of the Group’s accomplishments was highlighted by the Financial Mail and Sunday Times when ADvTECH was included in the Top 20 company rankings by both publications for 2009”

**Chairman’s letter 2009**



# 5 Year – Market Cap Index



# Questions



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Financial Results for the year ended 31 December 2009